

**SALES AND USE TAX REVIEW COMMISSION  
RECOMMENDATION PURSUANT TO P.L. 1999, C. 416**

**BILL NUMBER:**

S-1660

**DATE OF INTRODUCTION:**

May 5, 2008

**SPONSOR:**

Senator Connors

**DATE OF RECOMMENDATION:**

June 12, 2008

**IDENTICAL BILL:**

A-2186

**COMMITTEE:**

Senate Transportation Committee

**DESCRIPTION:**

The Bill excludes the value of certain manufacturer's rebates from the sales price of motor vehicles taxable.

**ANALYSIS:**

**The Commission has considered this Bill in its previous version, designated as S-2657 introduced in the 2006-2007 session. By way of motion, the Commission has voted to readopt its previous reasoning and recommendation and apply that disposition to this Bill.**

Current law imposes sales and use tax on the total "sales price" of an item, which includes the total amount of consideration for which personal property is sold, leased, or rented. If a customer pays the retailer a reduced price by relying on a rebate that the manufacturer will send to the retailer as part of the customer's payment, the customer will owe tax on the full price. The receipt payable to the retailer will be the total of the reduced price payable by the customer plus the amount that the retailer will receive from the manufacturer. Sales tax is calculated on the total receipt, or "sales price", not just on the portion of the receipt paid by the customer.

This Bill proposes to amend the definition of "sales price" to exclude the value of any manufacturer rebate where used toward a vehicle purchase.

The proposed language defines a manufacturer's rebate as a "cash payment" made by a manufacturer to the dealer. It is unclear whether this description accurately depicts these payments as they typically occur. If these payments are generally not in "cash", the language in the bill may not properly define a "manufacturer's rebate".

Generally, the Commission opposes the passage of measures that are focused on the benefit of one industry. Further, while there have recently been some changes to the definition of “sales price” under the Sales and Use Tax Act (N.J.S.A.54:32B-1 et seq.), the sales tax treatment of manufacturer’s rebates have not been adversely affected.

**RECOMMENDATION:**

The Commission does not recommends enactment of this Bill.